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Message Text

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INFO OCT-01 ISO-00 FEA-01 AEC-05 AID-05 CEA-01 CIAE-00

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R 120120Z FEB 75
FM SECSTATE WASHDC
TO AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA
AMEMBASSY PANAMA
AMEMBASSY CARACAS

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GUATEMALA FOR ROCAP

E.O. 11652: GDS
TAGS: EFIN, GT, NU, CS, ES, HO, PN, VE
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SUBJECT: VENEZUELAN OIL SCHEME

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REF: CARACAS 12424, STATE 282960

1. MORE THAN A MONTH AFTER THE CIUDAD GUYANA MEETING AND APPARENT ACCEPTANCE BY THE CHIEFS OF STATE OF THE ADDRESSEES OFTHE VENEZUELAN OIL SCHEME, THE DEPARTMENT LACKS HARD DATA AS TO THE: (A) FORMAL ACCEPTANCE (IF REQUIRED) OF EACH COUNTRY TO THE SCHEME; (B) WHETHER EACH COUNTRY IS LIKELY TO DRAWDOWN ITS TOTAL ENTITLEMENTS; AND (C) WHETHER BENEFICIARIES ARE MORE LIKELY TO USE THE FUNDS FOR BOP OR FOR DEVELOPMENT PURPOSES.

2. WE ALSO NOTE FROM INCOMING MESSAGES THAT SOME CONFUSION APPEARS TO EXIST AS TO THE EXACT OPERATING MECHANISM OF THE FUND. THIS IS NOT SURPRISING AS OUR ANALYSIS OF THE MODEL AGREEMENT SUPPLIED BY AMEMBASSY CARACAS SHOWS IT TO BE CUMBERSOME AND COMPLICATED. THE FOLLOWING ISOUR UNDER-STANDING OF THE SCHEME: EACH COUNTRY IS ASSIGNED A QUOTA OF CRUDE OIL IMPORTABLE FROM VENEZUELA. THIS QUOTA ONLY WILL BE SUBJECT TO A TWO TIER PRICE SYSTEM. THE FIRST DOLS. 6 PER BARREL WILL BE PAYABLE AS A NORMAL CURRENT ACCOUNT LIABILITY. THE BALANCE OF ACTUAL LANDED COST ABOVE DOLS. 6 PER BARREL WILL BE REBATED TO EACH BENEFICIARY AS

A LOAN FOR BOP AND/OR DEVELOPMENT PURPOSES. THE MECHANISM IS: ON A QUARTERLY BASIS THE VENEZUELAN CENTRAL BANK WILL DEPOSIT IN THE VENEZUELAN INVESTMENT FUND THAT SUM OF MONEY EQUIVALENT TO THE REBATE MENTIONED ABOVE. IN RETURN, BENEFICIARY COUNTRY CENTRAL BANKS WILL ISSUE SIX-YEAR CERTIFICATES OF DEPOSIT BEARING 8 PERCENT INTEREST AGAINST THESE DEPOSITS. AT THE ISSUANCE OF THE CD'S, THE FUNDS WOULD BECOME THE PROPERTY OF THE BENEFICIARY COUNTRY. SHOULD THE BENEFICIARY WISH TO UTILIZE THE FUNDS FOR DEVEL-OPMENT PURPOSES, AND SHOULD THE VENEZUELAN FUND AGREE TO SUCH USE, THE CENTRAL BANK WOULD BUY BACK ITS CD'S FROM THE FUND AND THEN NEGOTIATE A NEW SPECIFIC DEVELOPMENT LOAN CARRYING 25 YEAR TERM AND 8 PERCENT INTEREST. THUS THE SCHEME ENVISIONS TWO SEPERATE TYPES OF ASSISTANCE; SIX YEAR SHORT-TERM BOP RELIEF AND 25 YEAR DEVELOPMENT ASSISTANCE.

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3. SEVERAL QUESTIONS REMAIN: IF THE MONEY MUST BE CHANNELED THROUGH VENEZUELA, CAN IT BE A BOOKKEEPING EXERCISE OR MUST EACH COUNTRY MAKE A REAL TRANSFER PRIOR TO ISSUANCE OF THE CD'S? ARE THERE ANY RESTRICTIONS ON COUNTRY RIGHTS TO USE THE MONEY AS THEY SEE FIT UNDER THE SIX YEAR LOAN? DOES THE MONEY IN FACT BELONG TO THE CENTRAL BANK AFTER IT HAS ISSUED ITS CD'S?

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4. ACTION REQUESTED: ADDRESSES ARE REQUESTED TO VERIFY THE ACTUAL WORKINGS OF THE OIL SCHEME AND PROVIDE THE DEPARTMENT WITH ITS ANALYSIS OF THE ACTUAL IMPACT THE SCHEME IS LIKELY TO HAVE IN CY 1975. INGERSOLL

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